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HOUSE BILL NO. 536

Offered January 11, 2012

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A *BILL to amend and reenact §§ 58.1-2204, 58.1-2208, 58.1-2263, and 58.1-2274 of the Code of Virginia, relating to motor fuels tax.*

Patron—Orrock

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-2204, 58.1-2208, 58.1-2263, and 58.1-2274 of the Code of Virginia are amended and reenacted as follows:

§ 58.1-2204. Persons required to be licensed.

A. A person shall obtain a license issued by the Commissioner before conducting the activities of:

1. A refiner, who shall be licensed as a supplier;
2. A supplier;
3. A terminal operator;
4. An importer;
5. An exporter;
6. A blender;
7. A motor fuel transporter;
8. ~~A bulk user of undyed diesel fuel;~~
9. ~~A retailer of undyed diesel fuel;~~
10. An aviation consumer;
- ~~11.~~ 9. A bonded importer;
- ~~12.~~ 10. An elective supplier; or
- ~~13.~~ 11. A fuel alcohol provider.

B. A person who is engaged in more than one activity for which a license is required shall have a separate license for each activity, except as provided in subsection C.

C. 1. A person who is licensed as a supplier shall not be required to obtain a separate license for any other activity for which a license is required and shall be considered to have a license as a distributor.

2. A person who is licensed as an occasional importer shall not be required to obtain a license as a distributor.

3. A person who is licensed as a distributor shall not be required to obtain a separate license as an importer if the distributor acquires fuel for import only from an elective supplier or permissive supplier. Such licensed distributor shall not be required to obtain a separate license as an exporter.

4. A person who is licensed as a distributor or a blender shall not be required to obtain a separate license as a motor fuel transporter if he does not transport motor fuel for others for hire.

~~5. A person who is licensed as a distributor shall not be required to obtain a separate license as a retailer of undyed diesel fuel.~~

§ 58.1-2208. License application procedure.

A. To obtain a license under this article, an applicant shall file an application with the Commissioner on a form provided by the Commissioner. An application shall include the applicant's name, address, federal employer identification number, and any other information required by the Commissioner.

B. An applicant for a license as a motor fuel transporter, supplier, terminal operator, importer, blender, ~~bulk user of undyed diesel fuel, retailer of undyed diesel fuel,~~ distributor, or aviation consumer shall satisfy the following requirements:

1. If the applicant is a corporation, the applicant shall either be incorporated in the Commonwealth or authorized to transact business in the Commonwealth;

2. If the applicant is a limited liability company, the applicant shall be organized in the Commonwealth or authorized to transact business in the Commonwealth;

3. If the applicant is a limited liability partnership, the applicant shall either be formed in the Commonwealth or authorized to transact business in the Commonwealth; or

4. If the applicant is an individual or a general partnership, the applicant shall designate an agent for service of process and provide the agent's name and address.

C. An applicant for a license as a supplier, terminal operator, blender, or permissive supplier shall have a federal certificate of registry issued under 26 U.S.C. § 4101 that authorizes the applicant to enter into federal tax-free transactions in taxable motor fuel in the terminal transfer system. An applicant who

59 is required to have a federal certificate of registry shall include the registration number of the certificate
60 on the application for a license under this section. An applicant for a license as an importer, an exporter,
61 or a distributor who has a federal certificate of registry issued under 26 U.S.C. § 4101 shall include the
62 registration number of the certificate on the application for a license under this section.

63 D. An applicant for a license as an importer or distributor shall list on the application each state
64 from which the applicant intends to import motor fuel and, if required by a state listed, shall be licensed
65 or registered for motor fuel tax purposes in that state. If a state listed requires the applicant to be
66 licensed or registered, the applicant shall provide the applicant's license or registration number of that
67 state. A licensee who intends to import motor fuel from a state not listed on his application for an
68 importer's license or a distributor's license shall provide the Commissioner written notice of such action
69 before importing motor fuel from that state. The notice shall include the information that is required on
70 the license application.

71 E. An applicant for a license as an exporter shall designate an agent located in Virginia for service
72 of process and provide the agent's name and address. An applicant for a license as an exporter or
73 distributor shall list on the application each state to which the applicant intends to export motor fuel
74 received in Virginia by means of a transfer that is outside the terminal transfer system and, if required
75 by a state listed, shall be licensed or registered for motor fuel tax purposes in that state. If a state listed
76 requires the applicant to be licensed or registered, the applicant shall provide the applicant's license or
77 registration number of that state. A licensee who intends to export motor fuel to a state not listed on his
78 application for an exporter's license or a distributor's license shall provide the Commissioner written
79 notice of such action before exporting motor fuel to that state. The notice shall include the information
80 required on the license application.

81 § 58.1-2263. Shipping documents; transportation of motor fuel by barge, watercraft, railroad tank car,
82 tank wagon, or transport truck; civil penalty.

83 A. A person shall not transport motor fuel by barge, watercraft, railroad tank car, *tank wagon*, or
84 transport truck unless the person has a shipping document for its transportation that complies with this
85 section. A terminal operator or operator of a bulk plant shall give a shipping document to the person
86 who operates the barge, watercraft, railroad tank car, *tank wagon*, or transport truck into which motor
87 fuel is loaded at the terminal rack or bulk plant rack.

88 B. The shipping document issued by the terminal operator shall be machine-printed and that issued
89 by the operator of a bulk plant shall be on a printed form and both shall contain the following
90 information and any other information required by the Commissioner:

91 1. Identification, including address, of the terminal or bulk plant from which the motor fuel was
92 received;

93 2. Date the motor fuel was loaded;

94 3. Gross gallons loaded;

95 4. Destination state of the motor fuel, as represented by the purchaser of the motor fuel or the
96 purchaser's agent;

97 5. In the case of aviation jet fuel sold to an aviation consumer, the shipping document shall be
98 marked with the phrase "Aviation Jet Fuel, Not for On-road Use" or a similar phrase; and

99 6. If the document is issued by a terminal operator, (i) net gallons loaded and (ii) tax responsibility
100 statement indicating the name of the supplier who is responsible for the tax due on the motor fuel.

101 C. A terminal operator or bulk plant operator may rely on the representation made by the purchaser
102 of motor fuel or the purchaser's agent concerning the destination state of the motor fuel. A purchaser
103 shall be liable for any tax due as a result of the purchaser's diversion of fuel from the represented
104 destination state.

105 D. A person to whom a shipping document was issued shall:

106 1. Carry the shipping document in the means of conveyance for which it was issued when
107 transporting the motor fuel described;

108 2. Show the shipping document to a law-enforcement officer upon request when transporting the
109 motor fuel described;

110 3. Deliver motor fuel described in the shipping document to the destination state printed on it unless
111 the person:

112 a. Notifies the Commissioner before transporting the motor fuel into a state other than the printed
113 destination state that the person has received instructions after the shipping document was issued to
114 deliver the motor fuel to a different destination state;

115 b. Receives from the Commissioner a confirmation number authorizing the diversion; and

116 c. Writes on the shipping document the change in destination state and the confirmation number for
117 the diversion; and

118 4. Give a copy of the shipping document to the distributor or other person to whom the motor fuel is
119 delivered.

120 E. The person to whom motor fuel is delivered by barge, watercraft, railroad tank car, *tank wagon*,

121 or transport truck shall not accept delivery of the motor fuel if the destination state shown on the
 122 shipping document for the motor fuel is a state other than Virginia. To determine if the shipping
 123 document shows Virginia as the destination state, the person to whom the fuel is delivered shall examine
 124 the shipping document and keep a copy of the shipping document (i) at the place of business where the
 125 motor fuel was delivered for ~~ninety~~ 90 days following the date of delivery and (ii) at such place or
 126 another place for at least three years following the date of delivery. The person who accepts delivery of
 127 motor fuel in violation of this subsection and any person liable for the tax on the motor fuel pursuant to
 128 Article 3 (§ 58.1-2217 et seq.) of this chapter shall be jointly and severally liable for any tax due on the
 129 fuel.

130 F. Any person who (i) transports motor fuel in a barge, watercraft, railroad tank car, *tank wagon*, or
 131 transport truck without a shipping document or with a false or an incomplete shipping document or (ii)
 132 delivers motor fuel to a destination state other than that shown on the shipping document, shall be
 133 subject to a civil penalty. If the fuel is transported in a barge, watercraft, *tank wagon*, or transport truck,
 134 the civil penalty imposed under this subsection shall be payable by the person in whose name the means
 135 of conveyance is registered. If the fuel is transported in a railroad tank car, the civil penalty imposed
 136 under this subsection shall be payable by the person responsible for the movement of the motor fuel in
 137 the railroad tank car. The amount of the civil penalty assessed against a person for his first violation
 138 shall be \$5,000. The amount of the civil penalty assessed against a person for his second or subsequent
 139 violation shall be \$10,000.

140 § 58.1-2274. Unlawful importing, transportation, delivery, storage, acquiring, or sale of fuel; sale to
 141 enforce assessment.

142 A. Upon the discovery of any fuel illegally imported into, or illegally transported, delivered, stored,
 143 *acquired*, or sold in, the Commonwealth, the Commissioner shall *may* order the tank or other storage
 144 receptacle in which the fuel is located to be seized and locked or sealed until the tax, penalties and
 145 interest levied under this chapter are assessed and paid.

146 B. If the assessment for such tax is not paid within ~~thirty~~ 30 days, the Commissioner is hereby
 147 authorized, in addition to the other remedies authorized in this chapter, to sell such fuel and use the
 148 proceeds of such sale to satisfy the assessment due, with any funds which exceed the assessment and
 149 costs of the sale being returned to the owner of the fuel.

150 C. All fuel and any property, tangible or intangible, which may be found upon the person or in any
 151 vehicle which such person is using, including the vehicle itself, to aid the person in the transportation or
 152 sale of illegally transported, delivered, stored, sold, imported or acquired fuel, and any property found in
 153 the immediate vicinity of any place where such illegally transported, delivered, stored, sold, imported or
 154 acquired fuel may be located, including motor vehicles, tanks, and other storage devices, used to aid in
 155 the illegal transportation or sale of such fuel, shall be deemed contraband and shall be forfeited to the
 156 Commonwealth.

157 D. Any efforts by the Department to effect the forfeiture allowed under the authority of this section
 158 shall be governed by Chapter 22 (§ 19.2-369 et seq.) of Title 19.2, *mutatis mutandis*. However, such
 159 procedures shall not be applicable to the Department's tax collection powers and the use of such powers
 160 to enforce a tax liability against the illegally transported, delivered, stored, sold, imported or acquired
 161 fuel.